

# PRICING STRATEGIES



# Introduction



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Pricing of merchandise should accomplish 3 objectives:

1. Get the product accepted in the market;
  2. Maintain the market share as competition increases;
  3. Earn profits
- The pricing policy offers potential customers important cues regarding the firm's overall image.
  - Setting appropriate prices is tracking competitors' prices regularly.

# Pricing Strategies and Practices

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# Contd...

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## □ Everyday Low Pricing (EDLP)

EDLP strategy simply try to “Keep costs low, sell more merchandise, lower prices further and sell even more”.

## □ High-Low Pricing

- Charge higher than EDLP retailers.
- Occasionally reduce prices for a short period.
- Advertise frequently

# Contd...

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## □ Coupons

- Documents that entitle the holder to a percentage price reduction from the actual purchase price of a product or service.
- Issued in newspaper, with the product.

## □ Rebates

- A portion of the purchase price is returned to the buyer.
- Customer send the proof of purchase to the manufacturer → manufacturer mails the rebate → to customers

# Contd...

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## □ Leader Pricing

Selling a product (leader) at a substantially low price to generate customer traffic and increase the sale of complementary products in the store.

## □ Price Bundling

- Distinct items from different lines of merchandise, are offered together at a special price.
- Increase the volume of sales as well as the traffic at the retail store.
- Remove less desirable merchandise from the store.

# Contd...

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## □ Multiple-Unit Pricing

Occurs when the price of each unit in a multiple-unit package is less than the price of each unit if it were sold individually.

## □ Price Lining

Involves establishing a specific number of price points for each merchandise classification.

## □ Odd Pricing

The practice of setting retail prices that end in an odd number or just under an even rupee value.

# Factors affecting Pricing Decisions

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- *Merchandise*
- *Location*
- *Promotion*
- *Credit*
- *Customer Services*
- *Store Image*
- *Legal Constraints*
- *Other Environmental Factors*



# Setting Prices

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Pricing Objectives

Pricing Strategy

Bases of Pricing

Adaptations of Price Strategy

A. Store Objectives

B. Pricing Policy

A. Fixed Pricing

B. Variable Pricing

# Pricing Objectives

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## A. Store Objectives

- Sales
- Profit
- Return on Investment (RoI)
- Early Recovery of Cash

## B. Pricing Policy

- Build Volume
- Build Image
- Balance Price and Value

# Pricing Strategy

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- Skimming
- Penetration
- Bargain

# Bases of Pricing

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- Demand
- Cost
- Competition

# Adaptations of Price Strategy

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## A. Fixed Pricing

- Customary
- One Price
- Odd Pricing
- Multiple-unit Pricing
- Price Lining

## B. Variable Pricing

- High-Low
- Flexible Pricing
- Leader Pricing
- Bait and Switch
- Bundling
- Private Label

- Highest possible profit to skillful price
- Determining purchase price is a weapon to earn customer loyalty
- Pricing decisions – role of higher management
- Retail Pricing
  - Price lining will be the subject
- Markup

A critical component of the retail mix, can refer to individual units, groups, or classifications, department's, store's or an entire division.

- Repricing

Price reduction, or markdowns, a critical element in the pricing mix.

### Structuring Price Lines:

- Price Range

Denotes the spread from highest to to lowest prices carried

- Price Zone

A series of price lines, when more than 2 price lines are stocked, a price zone exists.

$$\begin{array}{ccc} \text{Retail} & = & (\text{Cost} + \text{Mark up}) \\ (100\%) & & (100\%) \end{array}$$

Markdown - ?

### PoS Markdown

- Electronically programmed temporary markdowns which are taken at the cash register.
- Allow the retailer to take markdowns only when the merchandise is sold.
- Do not increase OTB



**Thank You**